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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

95-1138,-1164,-1205

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs/Cross-Appellants,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a/ J&M ENTERPRISES, d/b/a ATICO NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

Donald R. Dunner, Finnegan, Henderson, Farabow, Garrett & Dunner, of Washington, D.C., argued for plaintiffs/cross-appellants. With him on the brief was *J. Michael Jakes.* Of counsel was *Barbara R. Rudolph,* Also of counsel were *Gregg I. Anderson* and *Elizabeth A. Phelan,* Holland & Hart, of Denver, Colorado.

James A. Lowe, of Denver, Colorado, argued for defendants – appellants. With him on the brief was *Duane Burton.*

Appealed from: United States District Court for the District of Colorado

Judge Finesilver

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

95-1138, -1164, -1205

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

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WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a J&M ENTERPRISES, d/b/a ATICO NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

DECIDED: July 2, 1996

Before MAYER, *Circuit Judge*, COWEN, *Senior Circuit Judge*, and RADER, *Circuit Judge*.

RADER, *Circuit Judge*.

Walgreen Company (Walgreen) appeals a decision of the United States District Court for the District of Colorado. The district court denied Walgreen's motion for remittitur, or in the alternative a new trial, on a jury award of $1.1 million in lost profits. The district court also denied Walgreen's motion for judgment as a matter of law that Philip Oiness (Oiness) could not recover projected lost profits on the record evidence. Finally, the district court awarded Oiness prejudgment interest at the Colorado statutory rate of 8%. Because the jury damages award was speculative, this court reverses-in-part, vacates-in-part, and remands-in-part.

Oiness cross-appeals the trial court's denial of its motion for enhanced damages and request for prejudgment interest at the rate of 16.52%. This court affirms the trial court on these issues.

BACKGROUND

This appeal features a small folding headrest called a Headchair. The Headchair resembles a tiny director's chair which supports a user's head off the ground. The Headchair sells primarily to sunbathers at the beach or to campers. This simple produce has seen a tumultuous legal history.

Steven Younger (Younger) and Rudolf Fiedelak, co-inventors of the Headchair, filed a patent application for the Headchair on October 11, 1984. The patent issued on October 1, 1985 as U.S. Patent No. 4,544,203 ('203). Younger, Oiness, and other investors formed the corporation Sun Global Enterprises, Inc. (Sun Global). The inventors assigned the '203 patent to Sun Global. In March 1984, Sun Global began making the Headchair. Sales commenced in June 1984.

In mid-1985, B&E Sales Co. (B&E) began selling a folding headrest. Sun Global sued B&E in 1986 for infringement of the '203 patent. In that trial, Younger testified that B&E's infringement virtually destroyed the market for Sun Global Headchairs. Sun Global won a lost profits damages award from B&E for harm to the retail market from 1986 through 1992.

In June 1986, Oiness formed a new corporation, Sun Products Group, Inc. (Sun Products), to sell the Headchair. Sun Products acquired the assets of the defunct Sun Global. Oiness thus acquired the '203 patent. Oiness and Sun Products then sued Walgreen for infringement of the '203 patent.

In April 1991, the district court held its first trial on this case. The jury found that Walgreen had willfully infringed the patent and awarded Oiness $300,000 in damages. *Oiness v. Walgreen Co.*, 774 F. Supp. 1277, 21 USPQ2d 1654 (D. Colo. 1991).

Walgreen appealed that decision to this court. *Oiness v. Walgreen Co.*, 980 F.2d 742, 26 USPQ2d 1548 (Fed. Cir. 1992) (non-precedential), *cert. denied*, 507 U.S. 1032 (1993). On appeal, this court affirmed Walgreen's liability, but vacated the damage award and remanded the case for reconsideration of the amount of damages. This court determined that the trial court had erred in its jury instructions on damages. The faulty instructions did not distinguish between the lost profits award for B&E's infringement in 1985-1986 and the lost profits for Walgreen's 1987-1990 infringement. Without this distinction, the jury could assess Walgreen for damages already compensated in the B&E trial. Furthermore, this court discerned a lack of substantial evidence to support the jury's damage award. *Id.*

The district court retried the case on damages. In October 1994, the jury awarded Oiness $1,101,240 in lost profits and $10,150,000 in projected lost profits. Specifically, the jury awarded projected lost profits of $1.4 million in the retail sales market, $750,000 in the premium

market, and $8 million in the advertising specialty market.

Walgreen moved for judgment as a matter of law, remittitur of the damage award, and alternatively a new trial on damages, all of which the trial court denied in an Order Regarding Post-Trial Motions entered December 6, 1994. The district court also awarded 8% in prejudgment interest on the entire judgment.

DISCUSSION

Actual Sales

Walgreen moved for remittitur, or in the alternative a new trial and moved for judgment as a matter of law (JMOL) that the record evidence did not support projected lost profits. In considering a motion to amend the judgment, or in the alternative to grant a new trial on the amount of damages, a trial court must review the record to determine whether the jury's verdict contravenes the "clear or great weight of the evidence." *"Unisplay, S.A. v. American Elec. Sign Co.*, 69 F.3d 512, 517, 36 USPQ2d 1540, 1544 (Fed. Cir. 1995) (quoting *Standard Havens Prods., Inc. v. Gencor Indus., Inc.* 953 F.2d 1360, 1367, 21 USPQ2d 1321, 1326 (Fed. Cir. 1991), *cert. denied*, 506 U.S. 817 (1992)). This court reviews for an abuse of discretion the decision denying a grant of remittitur or a new trial because of an excessive damage award. *K-B Trucking Co. v. Riss Int'l Corp.*, 763 F.2d 1148, 1162 (10th Cir. 1985); *see also Shearing v. Iolab Corp.*, 975 F.2d 1541, 24 USPQ2d 1133 (Fed. Cir. 1992) (reviewing the denial of a motion for a new trial for an abuse of discretion).

In considering a motion for JMOL, a trial court reviews the record for a substantial evidence to support the jury's verdict. *Federal Deposit Ins. Corp. v. United Pacific Ins. Co.*, 20 F.3d 1070, 1082 (10th Cir. 1994).

On appeal from a decision on a motion for JMOL, this court must review the record for substantial evidence. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1240, 9 USPQ2d 1913, 1924 (Fed. Cir.), *cert. denied*, 493 U.S. 853 (1989). the measurement of actual damages for patent infringement is a question of fact. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1578, 24 USPQ2d 1401, 1417 (Fed. Cir. 1992).

Upon a finding of infringement, title 35 envisions the award of damages adequate to compensate the patentee for infringement, but in no event less than a reasonable royalty. 35 U.S.C. § 284 (1994). The patent owner bears the burden of proving this amount. *Smithkline Diagnostics, Inc. v. Helena Lab. Corp.*, 926 F.2d 1161, 1164, 17 USPQ2d 1922, 1925 (Fed. Cir. 1991). Beyond a reasonable or established royalty, a claimant must prove actual damages to establish entitlement to lost profits. *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 671, 7 USPQ2d 1097, 1106 (Fed. Cir.), *cert. denied*, 488 U.S. 968 (1988). Proof of actual damages must include a causal connection between the infringement and the lost profits. *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1585, 35 USPQ2d 1065, 1102 (Fed. Cir.) (en banc), *cert. denied*, 116 S. Ct. 184 (1995). "To recover lost profits as actual damages, a patent holder must demonstrate that there was a reasonable probability that, but for the infringement, it would have made the infringer's sales." *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1577, 24 USPQ2d 1321,

1336 (Fed. Cir. 1992) (citing *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577, USPQ2d 1026, 1028 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 1022 (1990)).

The district court properly instructed the jury that Oiness was entitled to present proof of lost profits based upon Walgreen's sales. Oiness, however, did not present proof of Walgreen's sales. Instead Oiness presented only pictures of Headrest displays in three Walgreen stores. From these pictures, Oiness presumed that Walgreen devoted one and a half to two square feet of floor space in every store to Headrest sales. Without proof that every store sold Headrests or the amount of space in those stores for Headrest sales, Oiness then multiplied its estimated square footage by 1600, the number of Walgreen stores. Oiness next relied on a Value Line report for investors which discussed the vague concept of sales per square foot. This report suggested that Walgreen averaged sales of $379 per square foot of floor space. This report made no assessment of the sales of Headrests and no assessment of whether Headrest sales fell above or below the square foot sales average. Nonetheless, Oiness multiplied the presumed floor space in each Walgreen store by $379 per square foot. Finally, Oiness projected this calculation over a five year period. Thus Oiness extrapolated that Walgreen would have sold 3.6 to 4.8 million Headrests. This number of sales generates lost profits between $4,840,000 and $6,450,000.

This evidence adds vague estimation and gross extrapolation to unsupported presumption. At every step, this damages calculation is fraught with speculation. Three pictures do not support a conclusion for 1600

stores. The Value Line report does not supply any information about Headrest sales. The five-year projection does not account for market fluctuations over time and does not relate to the three pictures or the Value Line report at all. Instead of presenting evidence of actual sales combined with reliable economic analysis of demand, supply, and price over time, Oiness invites the jury to engage in rapt speculation. Based as it is on insubstantial evidence, this court reverses the jury's $1,101,240 lost profits award.

A court is not at liberty to supplant its own judgment on the damages amount for the jury's findings. *Unisplay*, 69 F.3d at 519. Therefore, in holding that a jury damage award is excessive, an appellate court has two options. It may simply reverse the jury award and order a new trial or allow plaintiff the option of agreeing to a remittitur in a specified amount. *See id.*; 11 Charles A. Wright et al., *Federal Practice & Procedure* § 2820 (2d 3d. 1995). This court has adopted the "maximum recovery rule" which requires this court to remit the damage award to the highest amount the jury could "properly have awarded based on the relevant evidence." *Unisplay*, 69 F.3d at 519.

The record shows conclusively that Walgreen sold 142,230 Headrests in the retail market. Younger testified that the average net profit on the Headchair in the retail market was $1.33. Multiplying the amount of Headrests Walgreen sold by the admitted average net profit of the Headchair equals a total of $189,000 in the retail market.

In addition, Vernon Brunner (Brunner), the Executive VP of Marketing for Walgreen, testified that at the end of August 1990, Walgreen had 23,610 Headrest left in its

stores. The warehouse report, which was the cornerstone of Walgreen's proof of Headrest sales, shows no movement of Headrests after this date. The 142,230 units reflect the 165,840 units moved to stores, minus the inventory remaining in the stores as of August 1990. Walgreen produced no records accounting for the whereabouts of the 23,610 Headrests. Brunner also testified that the stores were not advised to stop selling the Headrest until approximately March 1991. It is uncertain what happened to the 23,610 Headrests. Therefore, in view of Walgreen's lack of records, it was reasonable that the jury inferred these Headrests had been sold. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 219 USPQ 670 (Fed. Cir. 1983). Adding the 23,610 unaccounted for Headrests with the 142,230 sold amounts to $220,567 in actual sales. This amount serves as a benchmark for remittitur.

Oiness questioned this evidence on actual sales by alleging that Walgreen withheld evidence of actual sales. To the contrary, Walgreen presented inventory and warehouse records. Brunner, presented unrebutted testimony that these records were the most accurate method to determine the number of Headrests Walgreen had available for sale. Moreover, in light of the utter failure of Oiness to present proof of lost profits, the record contains no better evidence of Walgreen's actual sales. Because this evidence is the only reliable record of actual sales, this court vacates and remands to the trial court with instructions to order judgment in the amount of $220,567. Should Oiness refuse to accept the reduction of its award, the trial court may grant Oiness a new trial on damages.

This result is consistent with *Lam*. In *Lam*, this court inferred causation of damages when the patent owner

and the infringer were the only suppliers of the product. With respect to reliance on the infringer's sales records, the court noted that "any adverse consequences must rest on the infringer when the inability to ascertain lost profits is due to the infringer's own failure to keep accurate or complete records." *Lam*, 718 F.2d at 1065 (citing *Milgo Elec. Corp. v. United Business Communications, Inc.*, 623 F.2d 645, 665, 206 USPQ 481, 496 (10th Cir.), *cert. denied*, 449 U.S. 1066 (1980)). The *Lam* court, however, noted that the plaintiff has the burden of showing with reasonable probability defendant's sales. 718 F.2d at 1065. Even where defendant's records are not complete, damages may "not be determined by mere speculation or guess." *Id.* (quoting *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 563 (1931)).

In this case, Oiness purported to meet its burden of proof with mere speculation and guess work. Any insufficiency in Walgreen's records cannot supplant Oiness's burden to prove lost profits by a preponderance of evidence. *See SmithKline*, 926 F.2d at 1164 (at trial it is the patentee's burden to prove lost profits by a "preponderance of the evidence"). Due to Oiness' failure of proof, the best remaining evidence is Walgreen's records. Thus, this court remands with the above instructions.

Projected Lost Profits

This court upholds a jury's damages award unless "grossly excessive or monstrous," clearly not supported by evidence, or based only on speculation or guesswork. *Brooktree*, 799 F.2d at 1580 (citing *Los Angeles Memorial Coliseum Comm'n v. NFL*, 791 F.2d 1356, 1360 (9th Cir.

1986), *cert. denied*, 484 U.S. 826 (1987)). In this regard, this court acknowledges that a patentee may produce sufficient evidence to recover projected future losses, *see Lam*, 718 F.2d at 1068, but those projections must not be speculative. *See Sunward Corp. v. Dun & Bradstreet, Inc.*, 811 F.2d 511, 541 (10th Cir. 1987); *Brooktree*, 977 F.2d at 1581 (citing *Bio-Rad Lab., Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 616, 222 USPQ 654, 664 (Fed. Cir.), *cert. denied*, 469 U.S. 1038 (1984)). "The burden of proving future injury is commensurately greater than that for damages already incurred, for the future always harbors unknowns." *Brooktree*, 977 F.2d at 1581. "While estimates of lost future profits may necessarily contain some speculative elements," *Malloy v. Monahan*, 73 F.3d 1012, 1016 (10th Cir. 1996) (citing *United Steelworkers of America v. CCI Corp.*, 395 F.2d 529, 533 (10th Cir. 1968), *cert. denied*, 393 U.S. 1019 (1969); *United States v. Griffith, Gornall & Carman, Inc.*, 210 F.2d 11, 13 (10th Cir. 1954)), "the fact-finder must have before it 'such facts and circumstances to enable it to make an estimate of damage based upon judgment, not guesswork.' " *Id.* (quoting *Griffith, Gornall & Carman, Inc.*, 210 F.2d at 13).

This case involves three different markets: the premium market, the retail market, and the advertising specialty market. Oiness contends that Walgreen's infringement destroyed all three markets. The jury awarded Oiness projected lost profits in all three of these markets.

A.

The retail market concerns products sold at retail through department stores, drug stores, chains, and direct sales to consumers. Douglas MacLachlan (MacLachlan) was Oiness' expert in the retail market. MacLachlan developed his forecast in this market based on information from Sun Product's attorneys, accountant, and officers. MacLachlan forecasted Sun Product's lost profits from the start of infringement until 2002, the patent expiration date.

MacLachlan admitted that he found very little sales history to support his projections. The prior infringement by B&E complicated his reliance on the sales history of the Headchair. Due to this factor, MacLachlan relied on the sales unit figures for the second half of 1984, 30,746, and the first half of 1985, 304,045 – the only figures before B&E's infringement. He determined that the difference between these figures represented a 900% increase. He used this initial burst in product sales to project the growth rate for sales over the duration of the patent absent infringement. Recognizing the alarming size of this growth rate, however, he proposed "the conservative approach" of reducing this growth rate to a "mere" 450% increase in future sales for several years, with another reduction to 150% growth near the end of the patent term. In other words, MacLachlan still projected more than a doubling of annual sales near the end of Oiness's patent term.

MacLachlan's entire premise is flawed. MacLachlan relies on figures from the first months after Headchair's introduction into the market place. He then assumes that

those figures, from a few months, support an extrapolation of demand over future years. The economic axiom that demand curves slope downward calls into question the doubling of demand for a product year after year. MacLachlan offered no sound economic reasoning to support his assumption that Headchair sales would quadruple and double throughout the life of the patent. The figures for the first burst of sales do not supply adequate support for his assumption.

MacLachlan's assumption is also flawed because he had no evidence to show that the 1984-1985 sales actually represented sales to customers over this brief period, as opposed to large initial sales to retail outlets which might have languished on store shelves for months. In sum, MacLachlan's projections lacked evidentiary support.

In *Lam*, this court allowed projected lost profits in a two-supplier market upon a showing of actual pre-infringement and post-infringement growth rates. *Lam*, 718 F.2d at 1068. Oiness neither established a reliable pre-infringement nor a reliable post-infringement growth rate. The 1984-1985 start-up figures distort MacLachlan's growth rate projections. Furthermore, MacLachlan admits he did not conduct any market surveys of the Headchair. Rather, he relied on his personal conjecture that Sun Products would employ manufacturing representatives around the country at trade shows to increase distribution over the life of the patent.

Because MacLachlan's projections of lost profits in the retail rest on faulty assumptions and a lack of reliable economic testimony relevant to this market, this court determines that the record does not support the jury's

award of $1.4 million. The only record testimony was bald speculation by Oiness' expert. Therefore, this court reverses the jury's award of projected lost profits in the retail market.

B.

The advertising specialty market concerns products – often calendars and pens – with a company's logo which are usually given away to promote the company's business reputation. The advertising specialty market operates by engaging a manufacturing representative to sell the product to a distributor. The distributor then resells the product to an interested company. The distributor must obtain the product for a price lower than the interested company might obtain it elsewhere. Therefore, Oiness argues, when Walgreen sold the Headrest for $1.00, the price Sun Products could demand in the advertising specialty market plummeted.

Oiness' expert in the advertising specialty market was Glen Holt (Holt). Holt admitted that he did not take into account B&E's infringement when projecting lost profits in this unique market. This oversight is fatal to Holt's predictions. To the extent B&E had already damaged pricing in this market, Walgreen cannot be liable for damage caused by another infringer.

In the B&E infringement trial, Younger testified that B&E virtually destroyed the market for the Headchair. In his 1988 testimony, Younger held B&E responsible for a 90% drop in the business of Sun Global. B&E's infringement extended into 1986 – less than a year before Walgreen's infringement. Because Holt did not consider the

effect of B&E's infringement on the Headchair market, his projections of Walgreen's harm to the price of Headchairs, less than a year later, are suspect.

Just as significantly, Holt did no market analysis to determine if market forces, other than infringement, might have forced the price of Headchairs to dip. For instance, Oiness projected vast market penetration in other markets in the same period. If this had occurred, the market itself might have reduced the price as much or more than Holt attributed to Walgreen's infringement. Without more reliable market analysis, Holt provided no more than speculation upon which the jury cannot base an award. Because Oiness did not show an established business in the advertising specialty market or a reliable basis for Holt's predictions, this court reverses the jury award on projected lost profits in the advertising specialty market.

C.

In the premium market, customers buy the products to give away or sell as premiums in connection with another product or service, such as a prize in a cereal box. Customers may also use premium products as incentives for dealers or sales persons to sell more merchandise.

George Kling (Kling) was Oiness' expert witness in the premium market. He testified that this market relies heavily on the perception of the value of the premium product. He noted that the perceived value of the Headchair dropped because of Walgreen's infringement. Before Walgreen's activity the perceived value of the Headchair was $5.00 or $6.00; it later dropped to $1.00.

Because of the drop in the perceived value of the Headchair, Kling testified, the premium representatives would no longer carry the Headchair as a premium product.

Once again, Kling did not factor the B&E infringement into his calculation of the damage to the perceived value of the Headchair. Without this calculation, Kling's calculations run the risk of charging Walgreen with damage caused by another's infringement.

The premium market was a new market for Sun Products. Sun Global had not entered this market. Nonetheless, the value of the Headchair in one market is not independent of its value in other markets. Without consideration of the B&E infringement on Headchair value, Oiness has not shown that the premium market remained unaffected by B&E's infringement.

Edgar Taylor (Taylor), director of the Nestle Food Company Baking Division at Carnation, testified that Carnation used the Headchair in its promotion of the "Carnation Do it Yourself Diet Plan." He testified that the reason Carnation chose the Headchair as a promotional product was its price. Taylor also testified that he would stay away from a product if "he thought the perceived value would decline during the course of the program." Kling testified that, after Walgreen's infringement, Carnation withdrew the Headchair as one of its promotional products.

The mere temporal association of Carnation's action and Walgreen's infringement does not suffice to show causation. No record evidence showed that Carnation terminated its premium product due to price decreases caused by Walgreen. The record does not show a link

between Walgreen's infringement and price decreases in the Headchair. B&E's infringement or other market forces may also have caused the decreases. Without credible economic testimony, this court cannot permit a jury to base its award on speculation. This court reverses this projection as well.

Interest

The trial court awarded Oiness 8% in prejudgment interest on the entire damages award. This court reviews grant or denial of prejudgment interest for an abuse of discretion. *Lummus Indus., Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 274, 8 USPQ2d 1983, 1988 (Fed. Cir. 1988). Under 35 U.S.C. § 284, prejudgment interest ensures adequate compensation for the infringement. *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655-56, 217 USPQ 1185, 1188-89 (1983); *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389, 219 USPQ 569, 576 (Fed. Cir. 1983). Prejudgment interest has no punitive, but only compensatory, purposes. Interest compensates the patent owner for the use of its money between the date of injury and the date of judgment. *Bio-Rad Lab., Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 969, 1 USPQ2d 1191, 1195 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 915 (1987).

The trial court abused its discretion by awarding prejudgment interest on Oiness' entire damages award, including the projection of future damages. By awarding interest on projected lost profits, the trial court compensated Oiness for losses it had not yet suffered. In other words, the court granted Oiness interest for the use of its money when Oiness' money had not been used. This

award violates the compensatory purpose of prejudgment interest. Therefore, this court reverses the trial court's grant of prejudgment interest on the future damages portion of Oiness' damage award. Upon remand, the trial court may award interest on the $220,567 award of lost profits supported by the record evidence.

CONCLUSION

This court remands on the issue of actual damages because the jury award exceeded Walgreen's sales in the retail market. This court reverses the jury award for projected lost profits in the retail, advertising specialty, and premium markets. The jury based these awards on speculation. The record does not support these awards. This court also reverses on the trial court's granting of prejudgment interest on any damages based on projections.

COSTS

Each party shall bear its own costs.

AFFIRMS-IN-PART, REVERSES-IN-PART, REMANDS-IN-PART, and VACATES-IN-PART

NOTE: Pursuant to Fed. Cir. R. 47.8, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

91-1467,-1496

PHILLIP OINESS and
SUN PRODUCTS GROUP, INC.,

Plaintiffs/Cross-Appellants,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD, d/b/a/ NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

DECIDED: October 8, 1992

Before MAYER, *Circuit Judge*, COWEN, *Senior Circuit Judge*, and RADER, *Circuit Judge*.

RADER, *Circuit Judge*.

DECISION

Oiness and Sun Products sued Walgreen Company and Atico International and New Atico International for infringement of United States Patent No. 4,544,203 (the '203 patent). *See Oiness v. Walgreen Co.*, 774 F. Supp. 1277,

21 USPQ2d 1654 (D. Colo. 1991). A jury found that Oiness owned the '203 patent, that defendants had not established the invalidity of the '203 patent, and that defendants willfully infringed the patent. The jury then awarded $300,000 in actual damages. The court trebled damages and denied attorney fees and prejudgment interest. Upon review, this court finds substantial evidence to support most of the jury's findings. However, due to reversible errors affecting the damages award and the trial court's denial of prejudgment interest, this court *affirms-in-part, vacates-in-part, and remands.*

Damages

This court reviews the jury's findings for reasonableness under the substantial evidence standard of review. *Orthokinetics v. Safety Travel Chairs,* 806 F.2d 1565, 1571, 1 USPQ2d 1081, 1084-86 (Fed. Cir. 1986). The district court instructed the jury to award the "net profits" Oiness would have made absent Walgreen's infringement. Under the unique facts of this case, that instruction likely misled the jury and caused reversible error. Moreover, this court detects no substantial evidence supporting the jury's damage award. On this record, no reasonable jury could have reached this result.

In a separate 1988 suit, the United States District Court for the Eastern District of Michigan awarded Oiness damages for a short-lived infringement of the '203 patent by B&E Sales Company. *Sun Prods. Group v. B&E Sales Co.,* 700 F. Supp. 366, 9 USPQ2d 2009 (E.D. Mich. 1988). Due to repeated references throughout this trial, the jury was acutely aware that Oiness previously had

received damages from B&E Sales. In particular, Sun Products received damages for loss of "future profits" caused by B&E Sales' infringement.

The jury instructions advised the jury to award Oiness damages for any "net profits on sales Sun Products would have made absent the infringement." The instructions further defined "net profits" as "revenue from the sale of head rests less the cost of obtaining or manufacturing the head rest, cost of goods sold, and less all operating costs and expenses such as advertising, rent, salaries, promotions, et cetera." The instructions did not distinguish between a lost profits award for B&E Sales' 1985-86 infringement and a lost profits award for Walgreens' 1987-90 infringement.

Without this distinction between damages for B&E Sales' 1985-86 infringement and Walgreen's 1987-90 infringement, the jury may well have read the term "net profits" to require reduction of the damages caused by Walgreen's infringement to account for damages awarded for B&E Sales' infringement. Regardless of the source of the jury's confusion, however, substantial evidence does not support the jury's damage award.

The jury awarded Oiness $300,000 in damages for injury to three distinct markets – premium, advertizing specialty, and retail. Plaintiffs' witnesses testified to over $5 million in retail damages, over $16 million in premium product damages, and $500,000 in advertising specialty damages, for a total of over $22 million. Walgreen's witness admitted that injury to the advertising specialty

market alone ranged from $250,000 to $500,000. Walgreen's expert based this estimate on the cost of reintroducing the product and did not include any lost profits. On the record, this court finds no substantial evidence supporting the jury's damage award.

An offending notion woven into the fabric of this case is: Plaintiff recovered for lost profits in the suit against B&E Sales, therefore, plaintiff cannot recover for lost profits against Walgreen. To recover under lost profits, plaintiff must show that, absent infringement, it would have made the profits claimed. *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 863, 226 USPQ 402, 409, (Fed. Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). Plaintiff must show a direct causal connection between the infringer's activities and the patent owner's lost profits. Sun Products met this burden in recovering lost profits for B&E Sales' 1985-86 infringement. In this suit against Walgreen, plaintiffs certainly cannot recover for profits lost due to B&E's infringement. Plaintiffs may recover, however, *all* profits lost due to Walgreen's 1987-90 infringement.

Because the jury instructions did not adequately distinguish between damages for the separate 1985-86 infringement and because substantial evidence does not support the jury's damages award, this court vacates that award and remands.

Prejudgment Interest

This court reviews the district court's decision not to award prejudgment interest for abuse of discretion. *See Hughes Tool Co. v. Dresser Indus., Inc.*, 816 F.2d 1549, 1558,

2 USPQ2d 1396, 1404 (Fed. Cir. 1987). The district court did not grant prejudgment interest because Sun Products received damages in a prior case. *Sun Prods.*, 700 F. Supp. at 381-87, 9 USPQ2d at 2019-24. The court reasoned that prejudgment interest would give Sun Products a duplicative recovery. The jury, however, awarded $250,000 for injury to the premium sales market. Premium products are purchased in bulk to be given away as part of the sales promotion of other products. In *B&E Sales*, Sun Products recovered for retail sales, not premium sales. Therefore, an award for premium sales in the instant case would not overlap with the B&E award.

The district court said: "[t]he jury concluded that plaintiffs were only entitled to recover $300,000 for damages incurred after 1992." *Oiness*, 774 F. Supp. at 1285, 21 USPQ2d at 1660. In the same paragraph, the court relied on testimony that Walgreen's infringement affected premium sales from 1988 through 2002. *Id.* The district court's rationale for denying prejudgment interest does not account for the prejudgment interest on those premium sales. This failure amounts to an abuse of discretion. Therefore, this court vacates the trial court's denial of prejudgment interest and remands. *See Nickson Indus. v. Rol Mfg. Co.*, 847 F.2d 795, 800-01, 6 USPQ2d 1878, 1881-82 (Fed. Cir. 1988).

CONCLUSION

Both plaintiffs and defendants raised several other objections to the jury's verdict and the trial court's conduct of the case. In all respects, this court rejects those objections and affirms the district court's judgment. This

court only vacates and remands for reconsideration of the award of damages for lost profits and of the denial of prejudgment interest.

COSTS

Each party shall bear its own costs.

United States Court of Appeals
for the Federal Circuit

95-1138, -1164, -1205

PHILIP OINESS and SUN
PRODUCTS GROUP, INC.,

Plaintiffs/Cross-Appellants,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL
INCORPORATED, f/k/a/ J&M ENTERPRISES, d/b/a
ATICO NEW ATICO INTERNATIONAL, LTD., d/b/a
NEW ATICO, a/k/a ATICO,

Defendants-Appellants.

ORDER

United States Court of Appeals
for the Federal Circuit

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the CROSS-APPELLANT, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate has already issued.

FOR THE COURT,

Dated: October 1, 1996

By /s/ B.P.L.
Brian P. LeDuc
Associate Chief
Deputy Clerk

cc: DONALD R. DUNNER
JAMES A. LOWE

OINESS V WALGREEN CO, 95-1138, -1164, -1205
(Dct - 90-CV-727)

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Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 90-F-727

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants.

ORDER REGARDING POST-TRIAL MOTIONS

(Filed Dec. 06, 1994)

Sherman G. Finesilver, Judge

This suit involves the infringement of United States Patent 4,544,203 ("Patent 203"). Patent 203 involves a small folding headrest product designed for use while reclining, for example, at the beach or park. Jurisdiction of this Court is based on 28 U.S.C. §§ 1332, 1338 and 1400. By way of background, a special jury verdict was returned in favor of the Plaintiffs in 1991. *See Oiness v. Walgreen Co.*, 774 F. Supp. 1277 (D. Colo. 1991), *aff'd in part*, 980 F.2d 742 (Fed. Cir. 1992), *cert. denied*, 113 S.Ct. 1849 (1993). The jury awarded $300,000 in actual damages for the infringement and denied exemplary damages. In an Order issued June 28, 1991, damages were trebled and Plaintiffs' *Motion For A New Trial On The Issue Of Damages* was denied. The Parties cross-appealed, and the United

States Court of Appeals for the Federal Circuit in Washington, D.C. found that the instruction requiring the jury to award "net profits" was misleading and reversible error, and there was no substantial evidence to support the jury's damages award. The case was remanded on the question of damages. *Oiness v. Walgreen Co.*, 980 F.2d 742 (Fed. Cir. 1992) (unpublished disposition).

On re-trial in October 1994, the jury returned a verdict in favor of Plaintiffs in the total amount of $11,251,240. Judgment was entered on October 20, 1994. Execution of the judgment has been stayed.

This matter is currently before the Court on the following post-trial Motions: 1) Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate;* 2) Defendants' *Motion To Amend The Judgment;* 3) Defendants' *Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19;* 4) Defendants' *Motion For Remittitur Or, In The Alternative, A New Trial For Lost Profits;* and 5) Defendants' *Motion For Renewal Of Judgment As A Matter Of Law Or, In The Alternative, Remittitur Or A New Trial For Lost Projected Profits.* For the reasons outlined below, Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate* is denied. Defendants' several post-trial motions are also denied.

1. Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate*

Plaintiffs move the Court to 1) treble the damages awarded pursuant to 35 U.S.C. § 284 and 2) increase the prejudgment interest rate to an amount appropriate under the circumstances.

A. Increased Damages

Pursuant to 35 U.S.C. § 284, the Court may treble damages in a patent infringement case. The trebling of damages is subject to the Court's discretion and will not be overturned absent a showing of abuse of discretion. *Acoustical Design, Inc. v. Control Electronics Co., Inc.*, 932 F.2d 939, 942 (Fed. Cir.), *cert. denied*, 112 S.Ct. 185 (1991); *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990), *cert. denied*, 500 U.S. 918 (1991). A finding of willful infringement will support an award of increased damages. *Bott v. Four Star Corp.*, 807 F.2d 1567, 1574 (Fed. Cir. 1986); *Lam, Inc. v. Johns-Manville Corp.*, 668 F.2d 462, 474 (10th Cir.), *cert. denied*, 456 U.S. 1007 (1982). In the first trial of this matter, the jury returned a special verdict finding that the Defendants' infringement of Plaintiffs' patent was willful. However, such a finding does not mandate increased damages. *Modine*, 917 F.2d at 543. After carefully considering the finding of willfulness, the size of the jury award and the deterrent function of enhanced damages, enhanced damages are not appropriate. *See Id.*

B. Prejudgment Interest Rate

Plaintiffs also argue that they are entitled to a higher rate of prejudgment interest than eight percent (8%) per annum. Plaintiffs argue that an increased rate is necessary to prevent Defendants from benefiting from their infringement. Plaintiffs also assert that because the average interest paid by Plaintiffs on loans since the date of Defendants' infringement is eleven point thirty-seven percent (11.37 %), the rate of prejudgment interest should

be at least that much. However, Plaintiffs have failed to affirmatively demonstrate that a deviation from the eight percent rate is warranted. *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1066 (Fed. Cir. 1983). Accordingly, Plaintiffs' request for an increased prejudgment interest rate is denied.

2. Defendants' Motion To Amend The Judgment

Defendants move the Court to amend the judgment to preclude prejudgment interest on projected lost profits occurring prior to the second half of 1988. Defendants argue that the damages allegedly caused by Defendants' infringement did not begin until the second half of 1988, hence, Plaintiffs' recovery of prejudgment interest should be limited accordingly. This argument is not persuasive. Plaintiffs are entitled to prejudgment interest from April 26, 1987, the time of the infringement. The law is clear that Plaintiffs are entitled "to recover prejudgment interest from the time of the wrong." *Estate of Korf v. A.O. Smith Harvestore Prods., Inc.*, 917 F.2d 480, 486 (10th Cir. 1990) (citing *Mesa Sand & Gravel Co. v. Landfill, Inc.*, 776 P.2d 362, 365 (Colo. 1989); *See Brabson v. United States*, 859 F. Supp. 1360 (D. Colo. 1994). Accordingly, Defendants' Motion with respect to limiting the commencement date of prejudgment interest to the second half of 1988 is denied.

Defendants also contend that in its present form, the Final Judgment allows Plaintiffs to recover double interest. Defendants assert that the verdict already includes an award of interest, yet the calculations of actual lost profits and projected lost profits also include interest

because of the present value computation. Plaintiffs respond that there was no reference to "present value" in the verdict form, thus, Defendants' assumption that interest was "built in" to the verdict is erroneous. We agree. There is no indication that the jury's calculation of damages included present value computations. Hence, Defendants' argument that the judgment should be amended to prevent Plaintiffs from receiving a windfall of double interest fails. Accordingly, Defendants' *Motion To Amend The Judgment* is denied.

3. Defendants' Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19.

The Court gave 24 jury instructions. Defendants move for a new trial on the grounds that Instruction No. 19 as submitted to the jury was prejudicial error. The first sentence of Instruction No. 19 initially read:

> **As proved by the evidence, Plaintiffs are entitled to recover profits lost due to Walgreen's infringement of Plaintiffs' patent** (emphasis added).

When the Court initially went over the instructions with counsel outside the presence of the jury, it was agreed upon that Instruction No. 19 would read as follows:

> **If proved by the evidence, Plaintiffs are entitled to recover profits lost due to Walgreen's infringement of Plaintiffs' patent** (emphasis added).

The next sentence of Instruction No. 19 defines "profits lost" as "loss of profits occurring in the past and lost

profits projected in the future." In its mandate, the Federal Circuit stated that the Plaintiffs were entitled to recover "*all* profits lost due to Walgreen's 1987-90 infringement." *Oiness v. Walgreen Co.*, 980 F.2d 742 (Fed. Cir. 1992). Defendants conceded during trial that Plaintiffs were entitled to recover lost profits and the jury was so instructed. Instruction No. 22 read in part:

> **The defendants do not deny that the plaintiffs are entitled to lost profits based upon defendants' sales. You are therefore required to decide the proper amount of lost profits and to set forth that amount in Column A.**

However, Defendants contest what amount, if any, of lost projected profits the Plaintiffs were entitled.

The official transcript reflects that Instruction No. 19 was read to the jury in the agreed upon form on October 17, 1994, using the verbiage "If proved by the evidence. . . . " On the morning of October 18, 1994 the jury was given a written version of the jury instructions and commenced deliberations. Counsel were given the written version of the jury instructions immediately after the jury retired for deliberation. Due to a typographical error, Instruction No. 19 was submitted to the jury in written form as the initially proposed "**As** proved by the evidence," rather than the agreed upon "**If** proved by the evidence" (emphasis added).

Defendants contend that as submitted to the jury in written form, Instruction No. 19 is a mandatory instruction rather than permissive; that the jury must award lost projected profits to the Plaintiffs. Plaintiffs dispute this contention and assert that Defendants failed to object

during the jury's deliberation and therefore Defendants have not complied with FED.R.CIV.P. 51. Rule 51 provides in part that "No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection." Defense counsel made its objection known to the Court prior to the instructions going to the jury. When an "objection properly calls the alleged error to the Court's attention . . . , the requirement of [Rule 51] is met." *Weir v. Federal Ins. Co, et al.*, 811 F.2d 1387, 1391 (10th Cir. 1987) (*citing Taylor v. Denver and Rio Grande W.R.R. Co.*, 438 F.2d 351, 353 (10th Cir. 1971)). Defense counsel's objection to the initial draft of Instruction No. 19 was adequate under Rule 51. Accordingly, Defendants preserved their right to pursue this challenge on appeal.

In reviewing a jury instruction challenge, the Court examines "the jury instructions as a whole to determine whether they correctly state the governing law and provide an ample understanding of the issues and the applicable standards." *United States v. Arias-Santos, Rascon*, 1994 WL 593258, *4 (10th Cir. Nov. 1, 1994) (*citing United States v. Zimmerman*, 943 F.2d 1204, 1213 (10th Cir. 1991)); *see also, Le Master v. People*, 131 P. 269, 272 (Colo. 1913) (" . . . it is elementary that instructions must be considered as a whole."); *People v. Olona*, 505 P.2d 372 (Colo. 1973) and *McCune v. People*, 499 P.2d 1184 (Colo. 1972) (issue is whether under the instructions as a whole, the jury was adequately informed as to the law). We agree with the principle that where the instructions "properly express the law applicable to the case, there is no error

even though an isolated clause may be inaccurate, ambiguous, incomplete or otherwise subject to criticism." *Somer v. Johnson*, 704 F.2d 1473, 1478 (11th Cir. 1983) (*citing Johnson v. Bryant*, 671 F.2d 1276, 1280 (11th Cir. 1982)). At issue then is whether the instructions in the instant case as a whole properly expressed the applicable law and provided a clear understanding to the jury as to Plaintiffs' burden of proof regarding recovery of lost profits.

Instruction No. 19 in its totality as submitted to the jury in written form read as follows:

As proved by the evidence, Plaintiffs are entitled to recover profits lost due to Walgreen's infringement of Plaintiff's patent.

The term "profits lost" includes loss of profits occurring in the past and lost profits projected in the future. Lost profits include both past and future profits in each of the retail, advertising, and premium incentive markets.

Lost profits are profits which the Plaintiffs lost because of sales of the infringed product by the Defendant. Projected lost profits are profits which Plaintiffs claim it lost because of the expected loss of sales of the product in the future.

To recover damages for the patent infringement by Defendants, Plaintiffs must establish a causation between the infringement by the Defendants and lost profits not occasioned by B&E. A factual basis for causation is proven if it is shown that but for the infringement of the Defendants, Plaintiffs would make the lost profits claimed as damages.

In this suit against Walgreens and Atico, Plaintiffs cannot recover any damage caused by B&E's infringement. As you have been instructed, Plaintiffs may recover profits due to Walgreen's and Atico's infringement. It is only the damage shown legally from Walgreen's and Atico's infringement which should be considered.

A determination of damages cannot be speculative, remote or conjectural; it must be based upon a reasonable degree of certainty but does not require absolute certainty.

The term "lost profits" refers to the total revenue Plaintiffs would have received less the cost Plaintiffs would have incurred in making and selling the HEADCHAIR head rests.

Instruction No. 19 specifically explains what Plaintiffs must prove in order to recover any lost profits.

> **To recover damages for the patent infringement by Defendants, Plaintiffs must establish a causation between the infringement by the Defendants and lost profits not occasioned by B&E. A factual basis for causation is proven if it is shown that but for the infringement of the Defendants, Plaintiffs would make the lost profits claimed as damages.**

As noted, Instruction No. 19 also cautioned the jury that

> **It is only the damage shown legally from Walgreen's and Atico's infringement which should be considered.**

Instruction No. 19 also advised the jury that it cannot base any determination of damages on speculation, but rather a determination of damages must be based upon a reasonable degree of certainty.

Hence, any possibility of confusion occasioned by the first word of Instruction No. 19 as submitted to the jury in written form was clearly alleviated by the balance of Instruction No. 19.

To underscore our view that the instructions were adequate, clear and free from ambiguity, we highlight several.

1. Instruction No. 2 stated in part:

> **No single instruction states all the applicable law. All of them must be read and considered together.**

2. Instruction No. 2 also stated:

> **The Court did not in any way, and does not by these instructions, express any opinions as to what has or has not been proved in the case, or to what are or are not the facts of the case.**

3. Instruction No. 3 explained that the burden was upon the Plaintiffs to prove their case by a preponderance of the evidence and these terms were defined for the jury.

4. Instruction No. 7 reminded the jury of Plaintiffs' burden. As to projected lost profits, Instruction No. 7 stated:

> **Oiness and Sun Products need only prove to a reasonable probability that they would have made additional sales or that they could have charged higher prices, or both.**

5. Instruction No. 8 stated:

> **In determining the issue of damages, the Court instructs you that the law does not permit an award of a greater sum than the monetary loss which the patent owner has suffered as a result of the infringement.**
>
> **If, under the Court's instructions, you find plaintiffs are entitled to damages, in fixing the amount of such damages you may not include and/or add to an otherwise just award any sum for purposes of punishing the defendants or to set an example.**

6. Instruction No. 22 explained to the jury the procedure for filing out the verdict form.

It read:

> **The defendants do not deny that the plaintiffs are entitled to lost profits based upon defendants' sales. You are therefore required to decide the proper amount of lost profits and to set forth that amount in Column A.**
>
> **The defendants contend that plaintiffs have not proved that plaintiffs are entitled to lost projected profits. Therefore, you are to first decide if plaintiffs have established by the evidence that they are entitled to lost projected profits in each of the three markets. If you find that plaintiffs have met their burden for one or more of the three markets, place the amount of projected profits the plaintiffs have proven for each of such markets in Column B. If you find that they have not proven lost projected profits for one or more of the three markets, place a zero on the verdict form in Column B for each of such markets.**

Any possibility that Instruction No. 19 conveyed to the jury it was mandatory that they award Plaintiffs lost projected profits was clearly erased by the specificity of Instruction No. 22 along with the above-referenced instructions.

Defendants cite cases for the proposition that a jury instruction is not cured by a correct version appearing elsewhere in the instructions. However, the factual circumstances of these cases render them inapplicable to the instant action.

In *Jamesbury Corp. v. Litton Indus. Prods., Inc.*, 756 F.2d 1556 (Fed. Cir. 1985), *cert. denied*, 488 U.S. 828 (1988), the district court referred to the patentee in a pejorative manner, characterizing it as a "monopolist." The district court also implied that it was against the public interest to allow the patentee to maintain a monopoly. The Federal Circuit held that the instruction in this form was legally erroneous and prejudicial. More prominent, however, was the district court's erroneous instruction regarding the standard of proof. The correct standard was "clear and convincing." The jury was instructed as to the "preponderance of the evidence" standard as well as the correct "clear and convincing" standard. The Federal Circuit held that the additional instruction was confusing, and the district court's misstatement of the law was not cured by the correct standard appearing elsewhere. The Federal Circuit framed the question as, in light of the misstatement, "whether the error was so egregious, considering the instructions as a whole, as to require the verdict to be set aside." *Id.* at 1560. Defense counsel's

attempt to equate the instant action involving the inadvertent exchange of a two-lettered word to the misstatement of the burden of proof, is unpersuasive.

Similarly, Defendants' reliance on *Somer v. Johnson*, 704 F.2d 1473 (11th Cir. 1983) is misplaced. In *Somer*, the district court correctly explained the statutory duty of physicians, but in the same instruction, qualified or relaxed the standard of liability by inserting the word "however." The Eleventh Circuit felt that it was possible that the jury may have employed the wrong standard. In the instant action, never was the burden of proof placed upon Plaintiffs misstated, and any possibility of confusion created by the interchange of "as" and "if" cannot rise to the level of egregiousness necessary to warrant a new trial. Defense counsel also references other cases too dissimilar to the instant action to warrant further comment.

In the criminal context, generally "errors in jury instructions do not constitute fundamental error that would provide a basis for collateral attack." *People v. Shearer*, 508 P.2d 1249 (Colo. 1973) (*citing Lineberger v. State of Oklahoma*, 404 F.2d 1092 (10th Cir. 1968), *cert. denied*, 394 U.S. 938 (1969)). In *People v. Zapata*, 759 P.2d 754 (Colo. App. 1988), *aff'd*, 779 P.2d 1307 (Colo. 1989), the court gave an instruction proposed and prepared by defendant on the theory of the case which could have been construed as placing the burden on defendant to prove his misidentification. On appeal, defendant asserted that the instruction misstated the law and the court committed reversible error in giving it. While distinguishable from the instant case on these factual differences, nonetheless, the court was faced with the issue of

whether a misstatement of the law of the case is reversible error. The court noted that the jury had been properly instructed as to the burden of the proof elsewhere in the instructions. The court held that "if the law of the case is clearly and explicitly set forth in one instruction, the effect of equivocal language elsewhere is eliminated." Consequently, "any error in the wording of the theory of the case instruction is insufficient to mandate reversal." *Id.* at 756.

In *People v. Turner,* 730 P.2d 333 (Colo. App. 1986), the defendant challenged an instruction given by the trial court which defendant contended mandated the return of a guilty verdict. The Court held that in light of the instructions as a whole and assuming that the jury took a commonsense view of the instruction, "we are convinced that the jury was adequately apprised of the law, notwithstanding the defective language in the instruction at issue." *Id.* at 336 (*citing Chambers v. People,* 682 P.2d 1173 (Colo. 1984)).

In *United States v. Downen,* 496 F.2d 314 (10th Cir.), *cert. denied,* 419 U.S. 897 (1974), a blackboard chart summarizing the Government's theory of the case, which had not been admitted into evidence, was erroneously sent to the jury room and remained there during jury deliberations. The Court held that "in light of the careful and detailed cautionary instructions given by the Trial Court," the jury's verdict was not prejudicially influenced by the blackboard. *Id.* at 320.

In *United States v. Hueftle,* 687 F.2d 1305 (10th Cir. 1982), a card stating "They're Guilty, Nuke'M" was found to have been included in the evidence submitted to the

jury. The Tenth Circuit held that the inclusion of the card in the exhibits "was not so blatantly prejudicial that the verdict must be overturned." *Id.* at 1310-11.

In *United States v. Pinelli*, 890 F.2d 1461 (10th Cir. 1989), *cert. denied*, 495 U.S. 960 (1990), a "post-it" tab which essentially reiterated the government's contentions was inadvertently sent to the jury. The Tenth Circuit held that the conscientiousness of the jury, along with the cautionary instruction of the trial court, rendered the alleged error harmless. *Id.* at 1474.

Finally, in *People v. Bieber*, 835 P.2d 542 (Colo. App. 1992), *cert. denied*, 114 S.Ct. 716 (1994), the parties had stipulated that defendant had submitted to a drug test on the day of the murder with which defendant was charged, and that the test showed that amphetamines were not present in defendant's body. Nonetheless, a small plastic bag containing white powder, which had not been introduced into evidence, was found inside one of the People's exhibits sent to the jury room. Despite an affidavit submitted by a juror stating that the juror was aware of the bag in the jury room as well as the fact that it was not admitted into evidence, the Court held that this error did not rise to the level of plain error warranting a new trial. *Id.* at 547.

After careful review of the applicable case law and the jury instructions given in the instant case as a whole, Defendants' *Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19* is denied.

4. Defendants' *Motion For Remittitur Or, In The Alternative, A New Trial For Lost Profits* And 5. *Defendants' Motion*

For Renewal Of Judgment As A Matter Of Law Or, In The Alternative, Remittitur Or A New Trial For Lost Projected Profits

Defendants move for remittitur, or in the alternative, a new trial for lost profits and lost projected profits. Defendants argue that the verdict for lost profits and lost projected profits in the amounts of $1,101,240 and $10,150,000 respectively is against the clear weight of the evidence and as such, substantial justice is absent. Defendants assert that it is impossible to determine what numbers the jury used in its calculation of the awards or how the awards were computed. In summary, Defendants contend that the lost profits and lost projected profits awards are not supported by the evidence and therefore, the Court should either reduce the awards or grant Defendants' request for a new trial.

In response, Plaintiffs contend that testimony was offered at trial to the effect that Plaintiffs' damages were in the multiple millions of dollars. Plaintiffs argue that the awards total approximately one third of the damages shown by Plaintiffs' evidence and are therefore not excessive.

The decision of whether to order a remittitur "rests within the sound discretion of the trial court." *Garrick v. City and County of Denver*, 652 F.2d 969, 971 (10th Cir. 1981). Under federal law, remittitur is not proper "unless the amount of damages awarded is so excessive that it shocks the judicial conscience." *O'Gilvie v. Int'l Playtex, Inc.*, 821 F.2d 1438, 1448 (10th Cir. 1987), *cert. denied*, 486 U.S. 1032 (1988), (*citing Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 703 F.2d 1152, 1168 (10th Cir. 1981)

cert. denied, 464 U.S. 824 (1983)). Remittitur may be appropriate where the amount awarded by the jury exceeds the amount established by the evidence. *K-B Trucking Co. v. Riss Int'l Corp.*, 763 F.2d 1148, 1163 (10th Cir. 1985) (*quoting Goldstein v. Manhattan Indus. Inc.*, 758 F.2d 1435, 1448 (11th Cir. 1985)).

Plaintiffs claimed damages in three markets: the retail market, premium incentive market and the advertising specialty market. The retail market involves sales to regular customers. The premium incentive market provides products at a substantial savings to consumers who have responded to special advertising offers or have bought other products for which they are rewarded by the sale to them of the premium incentive product. In the advertising specialty market, the product bears the logo or trademark of the company using the product and is usually given away free to the company's customers rather than sold.

Douglas MacLachlan, PhD., an expert in the area of marketing and damages in the retail market, testified that damages in the retail sales market were approximately $9.5 million. TR 219:16-222:23. George Kling, an expert in the areas of marketing and damages in the premium incentive market, testified that Defendants' infringement caused more than $11 million in damages in the premium market. TR 336:10-337:16. Glen Holt, an expert in the area of marketing and damages in the advertising specialty market, testified to over $11 million in damages in the ad specialty market. TR 272:2. Plaintiffs claimed approximately $31 million in total damages. In light of the evidence presented, we cannot say that the jury's award of $11 million in total damages was excessive. Succinctly

stated, substantial evidence supports this award. Hence, Defendants' request for remittitur as to the lost profits and lost projected profits awards is denied.

A motion for a new trial alleging a verdict contrary to the weight of the evidence requires a review of the facts presented at trial and such review is "committed to the sound discretion of the trial court." *In Re Air Crash Disaster At Stapleton Int'l Airport*, 720 F. Supp. 1467, 1485 (D. Colo. 1989) (*citing Black v. Hieb's Enterprises, Inc.*, 805 F.2d 360, 362-63 (10th Cir. 1986)). A new trial may be granted if it is reasonably clear that prejudicial error has occurred or that substantial justice has not been done. *Anthony v. Baker*, 808 F. Supp. 1523, 1525 (D. Colo. 1992). However, the trial judge must be convinced that a mistake has occurred in light of all the evidence. *Id.* The Court cannot substitute its judgment for that of the jury. *See Holmes v. Wack*, 464 F.2d 86 (10th Cir. 1972). Absent some indication that "improper cause invaded the trial, the jury's determination of the fact is considered inviolate." *In Re Air Crash Disaster At Stapleton Int'l Airport*, 720 F. Supp. 1467, 1485 (D. Colo. 1989) (*quoting Barnes v. Smith*, 305 F.2d 226, 228 (10th Cir. 1962)); *Metcalfe v. Atchison, Topeka and Sante Fe Ry Co.*, 491 F.2d 892, 898 (10th Cir. 1973).

The jury award in the instant action is not "clearly, decidedly, or overwhelmingly against the weight of the evidence." *In Re Air Crash*, 720 F. Supp. at 1485. Colorado is committed to the principle that jury awards are not set aside "unless the damages awarded are grossly and manifestly excessive or, on the other hand, are grossly and manifestly inadequate." *Gibbons v. Choury*, 455 P.2d 649,

650 (Colo. 1969). The jury's award was not grossly excessive, monstrous or based only upon speculation or guesswork. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1581 (Fed. Cir. 1992). Plaintiffs presented evidence on every aspect of the damages they believe they suffered and the jury returned a verdict for an amount less than the amount which Plaintiffs requested. Accordingly, Defendants' request for a new trial is denied.

Defendants also move to renew their motion for judgment as a matter of law. The standard of review for such a motion is whether substantial evidence was present at trial whereby a reasonable jury could have rendered the verdict reached by this jury. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1569 (Fed. Cir. 1992). The Court is to review the evidence in the light most favorable to the Plaintiffs, the nonmoving party. *Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1548 (Fed. Cir. 1994). Defendants have failed to show that "on the entirety of the record reasonable persons could not have found the facts necessary" to support the jury's verdict in this case. *Id.* at 1549. Accordingly, Defendants' *Motion For Renewal Of Judgment As A Matter Of Law* is denied.

ACCORDINGLY, it is ORDERED that:

(1) Plaintiffs' *Motion For Increased Damages And Prejudgment Interest Rate*, filed October 28, 1994 is DENIED;

(2) Defendants' *Motion To Amend The Judgment*, filed October 28, 1994 is DENIED;

(3) Defendants' *Motion For A New Trial For Lost Profits And Lost Projected Profits In View Of Incorrect Jury Instruction No. 19*, filed October 28, 1994 is DENIED;

(4) Defendants' *Motion For Remittitur Or, In The Alternative, A New Trial For Lost Profits,* filed October 28, 1994 is DENIED; and

(5) Defendants' *Motion For Renewal Of Judgment As A Matter Of Law Or, In The Alternative, Remittitur Or A New Trial For Lost Projected Profits,* filed October 28, 1994 is DENIED.

Dated this 6th day of December, 1994, at Denver, Colorado.

BY THE COURT:

/s/ Sherman G. Finesilver
Sherman G. Finesilver, Judge
United States District Court

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 90-F-727

PHILLIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs,

v.

WALGREEN COMPANY, ATICO INTERNATIONAL INCORPORATED f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a ATICO,

Defendants.

FINAL JUDGMENT
(Filed Oct. 20, 1994)

THIS ACTION came on for trial before the Court and a jury of eight beginning on October 11, 1994, the Honorable Sherman G. Finesilver, District Judge, presiding, the jury returned its verdict for damages for the plaintiffs on October 18, 1994 for the following amounts. Accordingly, it is

1. ORDERED AND ADJUDGED that judgment be entered upon the verdicts of the jury returned on October 18, 1994, in favor of the plaintiffs Phillip Oiness and Sun Products Group, Inc., and against the defendants Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico in the following respective amounts:

(a) that plaintiffs, Phillip Oiness and Sun Products Group, Inc., recover of defendants, Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico, the sum of One Million, One Hundred One Thousand, Two Hundred-Forty Dollars and 00/100 ($1,101,240.00) for Total Lost Profits.

(b) that plaintiffs, Phillip Oiness and Sun Products Group, Inc., recover of defendants, Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico, the sum of Ten Million, One Hundred Fifty Thousand Dollars and 00/100 ($10,150,000.00) for Total Lost Projected Profits.

(c) that plaintiffs, Phillip Oiness and Sun Products Group, Inc., recover of defendants, Walgreen Company, Atico International Incorporated, f/k/a J & M Enterprises, d/b/a Atico, New Atico International, Ltd., d/b/a New Atico, a/k/a Atico, the total sum of Eleven Million, Two Hundred Fifty-One Thousand, Two Hundred Forty Dollars and 00/100 Dollars ($11,251,240.00) plus prejudgment interest to be calculated at the rate of 8% per annum from April 26, 1987 to the date of entry of this judgment. It is

2. FURTHER ORDERED AND ADJUDGED that the Verdict Form returned on October 18, 1994 is incorporated into this Final Judgment by this reference. This

Final Judgment for the amount set forth above in paragraph 1(c) is entered against defendants on the basis of the Verdict Form. It is

3. FURTHER ORDERED that post-judgment interest shall accrue at the legal rate of 6.06% per annum from the date of entry of judgment. It is

4. FURTHER ORDERED that plaintiffs shall have their costs upon filing of a Bill of Costs with the Clerk of this Court within ten (10) days of the entry of judgment.

DATED at Denver, Colorado this 20th day of October, 1994.

FOR THE COURT:

JAMES R. MANSPEAKER, CLERK

By: /s/ Stephen P. Ehrlich
Stephen P. Ehrlich,
Chief Deputy Clerk

APPROVED AS TO FORM:

/s/ Sherman G. Finesilver
Sherman G. Finesilver,
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 90-F-727

PHILIP OINESS, an Individual residing in the State of Washington, and SUN PRODUCTS GROUP, INC., A Washington corporation,

Plaintiffs,

v.

WALGREEN COMPANY, an Illinois corporation, ATICO INTERNATIONAL INCORPORATED, f/k/a J & M ENTERPRISES, d/b/a ATICO, NEW ATICO INTERNATIONAL, LTD., d/b/a NEW ATICO, a/k/a ATICO,

Defendants.

VERDICT FORM

Verdict Form

We, the Jury, award damages for patent infringement in the following categories against the Defendants Walgreen and Atico:

	Column A Lost Profits
Damages in the retail sales market	$1,101,240.00
Total Lost Profits:	$1,101,240.00

Column B Lost Projected Profits	
Damages in the retail sales market	$1.4 MILLION
Damages in the premium incentive market	$750,000.00
Damages in the advertising speciality market	$8.0 MILLION
Total Lost Projected Profits:	$10,150,000.00 CNK

Total Damages Adding Column A (Total Lost Profits) and Column B (Total Lost Projected Profits):

$11,251,240.00

Dated this 18 day of October, 1994:

/s/ Jos. Moehmel
Foreperson

/s/ Marilyn J. Elrod
Juror

/s/ Keiese Angell
Juror

/s/ Maria P. Tresel
Juror

/s/ Michael O. VanDonn
Juror

/s/ Joyce K. Roach
Juror

/s/ Camalia Candelarie
Juror

/s/ Pamila C. Frazier
Juror

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Judge Daniel B. Sparr

Civil Action No. 90-S-727

PHILIP OINESS and SUN PRODUCTS GROUP, INC.,

Plaintiffs,

v.

WALGREEN COMPANY, an Illinois corporation;
ATICO INTERNATIONAL INCORPORATED f/k/a
J & M ENTERPRISES d/b/a ATICO;
NEW ATICO INTERNATIONAL, LTD. d/b/a
NEW ATICO a/k/a ATICO,

Defendants.

ORDER AMENDING JUDGMENT

(Filed Sep. 24, 1996)

THIS MATTER comes before the court on: (1) the Defendants' Motion to Amend Court's Judgment of August 22, 1996 Pursuant to Fed. R. Civ. P. 59(e); and (2) the Defendants' Motion to Compel Plaintiffs to Pay the Cost of the Premium on the Supersedeas Bond Defendants Obtained as Security Pending Appeal, Pursuant to Rule 39(e) Fed. R. App. P., both filed August 28, 1996. The court has reviewed the motions, the Plaintiffs' responses (filed September 20, 1996), the entire case file, and the applicable law and is fully advised in the premises.

In April of 1991, a jury awarded the Plaintiffs damages for patent infringement. The damages award was then trebled by the trial court, for a total award of

$900,000.00. *Oiness v. Walgreen Co.*, 774 F.Supp. 1277 (D.Colo. 1991). On appeal, the Federal Circuit Court of Appeals affirmed the finding of liability but vacated the damage award and remanded the case. *Oiness v. Walgreen Co.*, 980 F.2d 742 (Fed. Cir. 1992), *cert. denied*, 507 U.S. 1032 (1993).

In October of 1994, on retrial on the issue of damages, a jury awarded Plaintiffs approximately $11 million in damages for actual lost profits and projected lost profits. The Plaintiffs also received pre-judgment and post-judgment interest. On appeal, the Federal Circuit Court of Appeals reversed in part, vacated in part, and remanded in part. *Oiness v. Walgreen*, 88 F.3d 1025, 1034 (Fed. Cir. 1996).

In accordance with the remand from the Federal Circuit, the district court, on August 22, 1996, entered judgment for the Plaintiffs in the amount of $220,567.00. The district court indicated that: (1) should the Plaintiffs accept the remittitur within sixty (60) days of the date of the August 22, 1996 Order, judgment as modified would be final, or (2) should the Plaintiffs not accept the remittitur, a new trial would be granted "solely on the issue of damages." The Defendants first ask the court to amend its August 22, 1996 judgment to clarify that retrial is available only as to claims of *actual* damages and that the claims of projected lost profits were reversed in their entirety.

The Plaintiffs, citing *Oiness*, 88 F.3d at 1030, argue that the Federal Circuit afforded them "a new trial on damages." First, however, the language regarding "a new trial on damages" is contained within the section of the

opinion that addresses actual sales. *Oiness*, 88 F.3d at 1028-31. Second, the Federal Circuit specifically remanded "on the issue of actual damages," should the Plaintiffs decline to accept the remittitur. *Oiness*, 88 F.3d at 1034. The Federal Circuit specifically reversed "the jury award for projected lost profits. . . . " *Id.*

The Defendants next argue that, pursuant to Fed. R. App. P. 39(e), the Plaintiffs should pay the cost of the premium on the supersedeas bond. Fed. R. App. P. 39(e) provides:

> the premiums paid for cost of supersedeas bonds . . . shall be taxed in the district court as costs of the appeal in favor of the party entitled to costs under this rule.

Fed. R. App. P. 39(a) provides:

> if a judgment is affirmed or reversed in part, . . . costs shall be allowed only as ordered by the court.

The court declines to order the Plaintiffs to pay the cost of the premiums paid by the Defendants for the supersedeas bonds.

Accordingly, IT IS ORDERED:

1. The Defendants' Motion to Amend Court's Judgment of August 22, 1996 Pursuant to Fed. R. Civ. P. 59(e) is GRANTED. The judgment entered by this court on August 22, 1996 is hereby amended to state that, should the Plaintiffs not accept the remittitur the amount of $220,567.00, a new trial shall be granted solely on the issue of actual damages.

2. The Defendants' Motion to Compel Plaintiffs to Pay the Cost of the Premium on the Supersedeas Bond Defendants Obtained as Security Pending Appeal, Pursuant to Rule 39(e) Fed. R. App. P. is DENIED.

DATED at Denver, Colorado, this 24th day of September, 1996.

BY THE COURT:

/s/ Daniel B. Sparr
Daniel B. Sparr
United States District Judge